

Housing Authority - County of Los Angeles

May 5, 2009

To: Each Supervisor



From: Corde Carrillo, Acting Executive Director

**SUBJECT: OIG AUDIT - SECTION 8 FINANCIAL
MANAGEMENT REVIEW**

Enclosed is the final OIG Audit Report of the Section 8 Financial Management Review. It includes the Housing Authority's response to the confidential draft report that I shared with your deputies on April 8, 2009.

Pursuant to the attached April 29, 2009 letter from HUD, we are reviewing the final report and will respond by the May 29, 2009 due date. Please let me know if you have any questions.

CDC:sm

Enclosure

c: Lari Sheehan, Deputy Chief Executive Office
Robert Kalunian, Acting County Counsel
Each Deputy



U.S. Department of Housing and Urban Development
Office of the Field Office Director
Los Angeles Field Office, Region IX
611 W. 6th Street, Suite 1100
Los Angeles, CA 90017

April 29, 2009

Mr. Corde D. Carrillo
Acting Executive Director
Housing Authority of the County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755



Dear Mr. Carrillo:

SUBJECT: Office of Inspector General Audit
Report Number 2009-LA-1009

The Office of Inspector General issued the subject audit report on April 24, 2009. The report determined that the Housing Authority of the County of Los Angeles did not equitably distribute indirect administrative expenses to its Section 8 program resulting in an over-allocation of more than \$5 million in fiscal year 2005 and 2006 Section 8 funds. The report contained one finding and one recommendation, as summarized below:

FINDING NUMBER 1: The Authority did not reasonably and equitably allocate costs to its Section 8 program.

The Authority did not equitably distribute indirect administrative expenses to its Section 8 Assisted Housing program. In fiscal years 2005 and 2006, it over-allocated more than \$5 million of the Commission's indirect administrative expenses to its Section 8 program. This condition occurred because the Authority modified its cost allocation methodology and inflated indirect charges to the Section 8 program to benefit the Commission's other programs. As a result, the Assisted Housing program was overcharged while other County programs did not receive their appropriate share of overhead expenses.

RECOMMENDATION 1A: The Authority must repay the Section 8 program \$2,953,443 in over-allocations that were charged to the program from nonfederal funds.

It is my understanding that you already have a copy of the audit report. Please respond to this recommendation on or before May 29, 2009. Your response should detail what actions the Authority will take to resolve the identified deficiencies.

Your attention to this matter is appreciated. If you have any questions regarding your response, please contact Bob Kroll of my staff at (213) 534-2601.

Sincerely,

K.J. Brockington
Hub Director
Office of Public Housing